

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-13 H-01 L-03 PRS-01

PA-01 USIA-06 SP-02 AID-05 EB-08 NSC-05 SS-15

STR-05 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03

INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 EUR-12

/120 W

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R 280327Z DEC 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9690

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USADB

PASS TREASURY FOR NACHMANOFF AND BRADFORD

E.O. 11652: NA

TAGS: EAID, EFIN

SUBJECT: ADB'S CONSIDERATION OF PROGRAM LENDING

REF: MANILA 20067

1. FOLLOWING IS AGREED TEXT THAT AUSTRALIAN, CANADIAN AND SCANDINAVIAN, U.K. AND GERMAN, AND U.S. EXECUTIVE DIRECTORS ARE SENDING TO THEIR RESPECTIVE GOVERNMENTS WITH THE OBJECT OF OBTAINING APPROVAL TO CERTAIN "GENERAL GUIDELINES" UNDER WHICH THE ADB WOULD AGREE TO PROGRAM LENDING. JAPANESE DIRECTOR IS ALSO SUBMITTING THE DOCUMENT TO TOKYO, POSSIBLY WITHOUT ANY STRONG RECOMMENDATION.

2. U.S. EXECUTIVE DIRECTOR TOOK LEADERSHIP IN THIS RUMP EFFORT TO INFLUENCE THE ADB'S PROPOSED PROGRAM AND TRUSTS THAT WASHINGTON ACCEPTS THIS INITIATIVE. ALTHOUGH HE CLEARLY INDICATED HIS VIEWS WERE AD REFERENDUM, IT WOULD BE SOMEWHAT LIMITED OFFICIAL USE

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EMBARASSING IF WASHINGTON WERE TO TAKE POSITION THAT NO PROGRAM LENDING AT ALL SHOULD BE UNDERTAKEN BY BANK. IN ADDITION, SUCH A POSITION WOULD LIKELY BE COUNTER-PRODUCTIVE SINCE IT WOULD BREAK UP PRESENT FRAGILE ALLIANCE AMONG THE SEVERAL DONOR COUNTRIES THAT HOLD DIFFERING VIEWS ON THIS SUBJECT. IT SHOULD BE EMPHASIZED THAT THE U.S. ED CANNOT GUARANTEE THAT ANY

APPROVED ADB PROGRAM LENDING ACTIVITY WOULD CONTAIN ALL THESE STRINGENT CONDITIONS, BUT THAT WOULD BE OUR OBJECTIVE.

QUOTE

PROGRAM LENDING

THE FOLLOWING NOTES SET OUT GENERAL GUIDELINES UNDER WHICH THE ADB SHOULD CONDUCT ITS PROGRAM LENDING ACTIVITIES. THESE GUIDELINES ACCEPT IN PRINCIPLE AS BASIC CRITERIA THE CIRCUMSTANCES UNDER WHICH PROGRAM LENDING MAY BE UNDERTAKEN, SET OUT IN PARA. 32 OF WORKING PAPER 7-77.

(1) PROGRAM LENDING SHOULD BE STRICTLY LIMITED TO THOSE COUNTRIES WHICH FULLY SATISFY EACH OF THE CRITERIA LAID DOWN; AND, ADDITIONALLY, THE BALANCE OF PAYMENTS SITUATION SHOULD ALSO BE TAKEN INTO ACCOUNT.

(2) THE BANK SHOULD CONSULT CLOSELY WITH THE IMF IN ORDER TO ENSURE THAT THE BANK'S PROGRAM LOANS ARE FULLY COMPATIBLE WITH THE FUND'S ACTIVITIES IN RELATION TO THE BORROWING COUNTRIES AND THAT SUCH COUNTRIES HAVE MADE ADEQUATE USE OF THE FACILITIES AVAILABLE TO THEM FROM THE IMF.

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(3) THE BANK SHOULD SATISFY ITSELF THAT THERE ARE NO APPROPRIATE ALTERNATIVE SOURCES OF FINANCE AVAILABLE FOR THE PURPOSE FOR WHICH THE PROGRAM LOAN IS SOUGHT.

(4) PROGRAM LOANS SHOULD BE MADE FOR SPECIFIC PURPOSES, IN STRICT ACCORD WITH THE CRITERIA. MOREOVER, PROGRAM LOANS SHOULD NOT BE USED AS SUBSTITUTION FOR PROJECT LOANS WHEN THE LATTER ARE FEASIBLE.

(5) THE PRINCIPLE OF INTERNATIONAL COMPETITIVE BIDDING FOR GOODS AND SERVICES OBTAINED UNDER PROGRAM LOANS SHOULD BE RETAINED, WHERE PRACTICABLE.

(6) PROGRAM LOANS SHOULD BE UTILIZED WITHIN A PERIOD OF ABOUT TWO YEARS OF APPROVAL.

(7) ALL PROGRAM LOANS - WHETHER FROM THE ABNK'S ORDINARY CAPITAL RESOURCES OR ITS SPECIAL FUNDS RESOURCES - SHOULD BE AMORTIZED OVER A PERIOD OF NOT MORE THAN 15 YEARS (INCLUDING A THREE-YEAR GRACE PERIOD) AND BEAR INTEREST OR SERVICE CHARGE AT THE RATES

NORMALLY APPLIED.

(8) THE BANK SHOULD INITIALLY LIMIT TOTAL PROGRAM LOANS IN ANY ONE YEAR TO NOT MORE THAN 5 PERCENT OF ITS TOTAL LENDING, WITH THE FURTHER UNDERSTANDING THAT NO SINGLE COUNTRY MAY OBTAIN MORE THAN 10 PERCENT OF ITS TOTAL BORROWINGS FROM THE BANK IN THE FORM OF PROGRAM LOANS IN ANY CLAEANDAR YEAR.

(9) THE BOARD SHOULD BE ADVISED OF THE BANK'S PLANS FOR PGORAM LENDING IN A WAY SIMILAR TO THAT ALREADY PROVIDED WITH RESPECT TO PROJECT LOANS IN THE COUNTRY PROGRAM.

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(10) IF THE BANK WERE TO AGREE TO ADOPT A POLICY IN FAVOR OF PROVIDING LIMITED PROGRAM LOANS IN FUTURE WITHIN THE ABOVE GENERAL GUIDELINES, THIS SHOULD BE SUBJECT TO REVIEW IN THE LIGHT OF EXPERIENCE AS SOON AS PRACTICABLE AND, IN ANY CASE, NOT LATER THAN TWO (2) YEARS OF IMPLEMENTATION OF THE BANK'S FIRST PROGRAM OOAN.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEVELOPMENT LOANS
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Sent Date: 28-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
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SAS ID: 121722
Secure: OPEN
Status: NATIVE
Subject: ADB\`S CONSIDERATION OF PROGRAM LENDING
TAGS: EAID, EFIN, ADB
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Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/e7fd5dfc-c188-dd11-92da-001cc4696bcc
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